

Mutual Benefits: AFI Projects and Housing Agency Self-Sufficiency and Homeownership Programs

Assets for Independence Projects and housing agencies share a mission: to help low-income families achieve self-sufficiency. For housing agencies, self-sufficiency primarily means a family has no need for assistance with the costs of shelter; for AFI Projects the emphasis is on creating asset ownership as a base on which a family can build to insure long-term self-sufficiency. With assets, whether a home, a revenue-generating business, or additional education or training, individuals and families are less likely to need housing assistance.

There are a number of housing agency-based programs that can complement the opportunities and services embedded in Assets for Independence Projects and have greater impact for participants and the local community. Partnerships between AFI Projects and local housing agencies have already produced strong, positive outcomes around two programs in particular: the Family Self-Sufficiency Program (FSS) and the Section 8 Housing Choice Voucher Home Ownership Program. A number of AFI grantees are already linked to these opportunities, but many more may be able to develop productive relationships with local housing agencies. Following are:

- Brief descriptions of how these two programs work, from the perspective of the housing agency and of an AFI Project;
- Summary information on a few other housing programs that AFI grantees may wish to explore further; and
- Links to more information on these and other complementary housing initiatives.

The Family Self-Sufficiency Program (FSS)

Residents of multifamily public housing properties or families receiving housing assistance in the form of a partial rent subsidy in the open market, a Section 8 voucher, may participate in the FSS program, or may be required to participate. In an FSS program, residents receive services similar to those included in AFI Projects, such as financial education. They build up saving through an escrow account, similar to an AFI match. Residents enter into a five-year agreement with the housing agency and develop an Individual Training and Service Plan (ITSP) that may extend up to seven years. In some ways, the ITSP is similar to an AFI participant's Savings Plan Agreement: it sets out obligations and benchmarks for the participant and the agency and the conditions under which the participant will have access to the escrow account.

The ITSP is based on an analysis of the participant's barriers to economic self-sufficiency, such as low educational level, high debt, lack of transportation, weak employment history, and the like. The

participant and the housing agency, represented by an FSS coordinator, agree on specific steps the participant will take to increase household earnings over the long run. Steps may include securing a GED if necessary or other training, paying off debts, getting or keeping a job, or advancing in a career path. The premise is that addressing these issues successfully will result in increased earnings.

Normally, the amount of rent paid by a family receiving housing assistance through rent subsidy or residents in public housing depends on income: the higher the income, the higher the rent paid (or the lower the rent subsidy), up to 30 percent of adjusted household income. For FSS participants, however, the participant pays their rent increase to the property owner but may recapture the increase in the future. From its own funds, the housing agency sets aside up to 30 percent of the increase in an interest-bearing escrow account. Over time, these accounts may accumulate quite large sums, and there is no ceiling on the total amount. Families may not receive a final payment from the escrow account if they do not satisfy the terms of their Individual Training and Service Plan. Thus the FSS escrow account offers an incentive to progress toward self-sufficiency while building savings. Unlike AFI, however, no “match” or additional funds come into play. Available data shows that more than 71,000 individuals have participated in 1,400 FSS programs around the country. The average amount accumulated has been more than \$3,300, but it is sometimes much greater. Individual income increases may jump by as 200 percent and higher.¹

Eligibility:

- *Based on TANF:* Persons who are AFI-eligible under TANF will not be affected by amounts in their FSS accounts: FSS participants remain TANF-eligible while building their FSS account and, therefore, would remain eligible for AFI. Further, participation in AFI would not affect eligibility for FSS, as AFI guidelines specify that the matched savings may not be used to determine eligibility for or the amount of public benefits.
- *Based on income and assets:* Applicants to AFI on this track may not have more than \$10,000 in net assets at the time of application, and a household income that is 200 percent or less of the poverty guidelines or that meets eligibility for the Earned Income Tax Credit. The FSS participant who applies to AFI on the basis of income and assets likely will not have accumulated enough in their escrow account to invoke this question. Moreover, HUD does not interpret the escrow account as an asset but as a benefit. There are, however, differences between the threshold income definitions for the two programs. HUD uses a percentage of local median income to determine eligibility for various programs, including Family Self-Sufficiency and the Housing Choice Voucher Homeownership Program. Thus, the actual income may vary. The Section 8 Homeownership Program does have a minimum income requirement of \$10,300, or 2000 hours of wages at the current Federal minimum wage, but participants may have a household income up to 80 percent of the area median, depending on where they live and household composition. FSS is available only to residents of public housing or those with Section 8 Housing Choice Vouchers.

¹ There is not yet comprehensive research on outcomes for all FSS programs. For current information, go to <http://fsspartnerships.org>.

To receive the funds from the escrow account, an FSS participant must satisfy the terms of the Individual Training and Service Plan. Further, the individual must have not received welfare cash assistance for a full year, and no one in the household may be receiving assistance at the time the escrow is paid to the participant. Funds are usually paid directly to the participant, rather than to a third party, and may be used for almost any purpose, including homeownership, education, business capitalization, retirement or other goals consistent with support of self-sufficiency and specified in the ITSP. It is also possible to receive FSS escrow funds incrementally, for education or work-related expenses, for example, as the participant is meeting benchmarks over the life of the Individual Training and Service Plan. About one-third of FSS graduates have used their savings for homeownership.

FSS participants usually must attend financial education classes. They may also receive homeownership training, small business training, or case management services, provided by the FSS coordinator, other housing agency staff, or outside partners. Thus, FSS components closely align with those of most AFI Projects. The ability of the housing agency to support an FSS coordinator is the key to having an FSS program and to mutually beneficial coordination with AFI Projects. A housing agency rarely offers an FSS program without an FSS service coordinator.

How AFI Projects and FSS Programs Can Work Together

Clearly, local FSS and AFI initiatives can help each other and jointly could provide more benefits to participants served by both programs. In addition to the potential for participants to have much larger nest eggs for asset purchase, there are a number of other ways in which AFI Projects and FSS Programs can mutually enhance their outcomes. Among these are:

- Cross referrals: The FSS program and the AFI Project may refer individuals who are eligible for each other's programs, but each initiative operates independently.
- Sequential services: Often, FSS participants need to achieve some of their plan benchmarks before they are strong candidates to enter and complete the AFI savings and asset purchase process. AFI-eligible individuals may, for example, complete financial education, begin separate savings, stabilize in employment, or resolve significant legal or credit issues before being referred to an AFI Project. Establishing and maintaining a savings account prior to enrollment are common, though not required, thresholds for enrollment for both FSS and AFI Projects. Sequencing could also lead to more than one asset for participants, for example, postsecondary education through the FSS program and then home purchase through AFI.
- Shared services: FSS program staff and AFI staff can serve the same individual concurrently, allocating provision of services that are common to the two programs, such as financial education or homeownership preparation. Other project components, such as case management or crisis counseling, may be shared as well, resulting in lower attrition and greater success for both programs. Of course, each participant served concurrently must meet each program's eligibility requirements separately

The Section 8 Housing Choice Voucher Homeownership Program

The Section 8 Housing Choice Voucher Program allows eligible participants to rent any unit that meets HUD housing quality standards and where the property owner has contracted with the housing agency to receive vouchers as partial payment of the rent. The housing agency agrees to pay participating landlords a portion of the monthly rental fee, calculated so that the renter is not, in most cases, paying more than 30 percent of adjusted household income for shelter. The total rental charge cannot exceed a fair market rent figure calculated annually for each market. Under the Section 8 Homeownership Voucher track, the housing agency may also choose to allow the voucher to be used for homeownership, agreeing to cover some part of a first or second mortgage payment (including principle, interest, taxes and insurance) for up to 15 years.

To use vouchers for homeownership, individuals *may* be required to participate in the agency's FSS program in order to build savings and to prepare for independence. The FSS requirements are as described above, and the participant graduates with the escrowed savings and use of the housing voucher to support purchase of a first home. Housing agencies, however, do not have to offer an FSS program in order to offer the homeownership option under Section 8. Some agencies choose to have in-house staff provide basic financial education and homebuyer counseling. Most refer interested and eligible participants to external housing counseling agencies, usually those with HUD certification. Participants who complete homebuyer training with certified agencies are often eligible for additional kinds of home purchase assistance or better financing terms from local lenders.

To offer the Section 8 Homeownership Voucher, a housing agency must formally adopt a number of policy changes and amend its administrative and annual plans according to HUD guidelines. In addition, it must develop its own specific program and eligibility policies within those guidelines. In contrast to the support of FSS program staff and escrow accounts, HUD does not offer any additional compensation for the additional tasks linked to implementing Section 8-based homeownership initiatives. Despite these disincentives, however, a number of housing agencies strongly support use of the Section 8 Homeownership Program. First, increasing homeownership is a national priority for HUD, as well as for other Federal agencies. Second, there is a very powerful and pragmatic reason. Housing agencies have found that owners of rental property in many areas are becoming less interested in participating in subsidized rental agreements. This factor combines with an overall decrease in rental units in many markets. The result is that homeownership is becoming a better and more feasible option for more low-income families, from the perspective of the family and in view of the best use of HUD's resources as well.

How AFI Projects and Section 8 Homeownership Programs Can Work Together

From an AFI perspective, the key differences between FSS and the Section 8 Homeownership Program are three. First, a Section 8 Homeownership Program participant may or may not also be an FSS participant. Second, the standalone Section 8 Homeownership participant will not be building an escrow account that may be used to purchase an asset, though he or she may develop some personal savings or

plan to use EITC refunds to purchase an asset. Third, a standalone Section 8 Homeownership participant will rarely receive housing agency support for activities leading to asset purchases other than a first home. In light of these differences, potential ways that AFI Projects and Section 8 Homeownership Programs can work together include:

- Enrollment of AFI-eligible individuals who have completed homebuyer training through the housing agency but who still need general financial education and accumulated savings and match to make the home purchase.
- Shared responsibility for homeownership purchase. The housing agency might provide financial education, homeownership training, or other supportive services, with the AFI Project supplying the missing elements, specifically the savings and match infrastructure, but perhaps other elements as well. Thus, the AFI Project does not bear all the costs of critical service components and the participant may have easier access to additional purchase support, such as soft second mortgages or other forms of downpayment assistance.

The best combination would be for AFI Projects to work with housing agency residents who are also FSS participants, but there are benefits to working with standalone Section 8 Homeownership participants as well, particularly for projects that have chosen to offer only or primarily homeownership as their AFI asset option.

Other Housing Programs of Interest

Following are brief descriptions of a few other homebuyer assistance programs that AFI Projects may wish to explore in their own areas and with the local housing agencies. You can reach descriptions of these programs from the HUD home page: <http://www.hud.gov>. Search on the program name.

U. S. Department of Housing and Urban Development

HOME (HOME Investment Partnership Fund)

HOME provides formula grants to states and localities that communities use to support a range of activities related to homeownership. Many AFI projects link home-buying participants to local entities that manage HOME-funded downpayment assistance (in the form of grants and forgivable loans), homeownership training, and other services.

American Dream Downpayment Initiative

ADDI is a subset of HOME focused on increasing homeownership, especially among lower-income and minority households. Assistance goes to low-income, first-time homebuyers to purchase single family homes. Funds may be used for downpayment, closing costs, and rehabilitation as part of the purchase process.

HOPE VI and Community Supportive Services

HOPE VI is the program under which dense, multifamily sites are being redeveloped as mixed-income communities. Residents of the existing sites may receive a number of services, such as education, aimed at preparing them to return to the new community or to live elsewhere. HUD is encouraging housing agencies that have HOPE VI projects under way and that are providing case management under HOPE VI to offer a Family Self-Sufficiency program to those residents.

Resident Opportunity and Supportive Services Program (ROSS)

ROSS programs may include a wide range of services to residents, throughout a housing agency or at one or more specific sites. Financial education, employment and training for career advancement are only a few activities that could intersect comfortably with AFI Project designs locally. Site-based resident organizations manage their own funds so multiple relationships are possible. Local housing agencies can provide the correct contact information for resident organizations.

Rural Housing and Economic Development (RHED)

RHED supports capacity building and innovative housing and economic activities at the state and local level. Funding of individual development accounts is an allowable activity under the innovative housing and economic development track, though this resource cannot be used as nonfederal match to AFI funds.

University and Community Partnerships

Historically Black Colleges and Universities Partnerships

Both of these programs link the resources of higher education institutions to local community organizations and activities to address housing, homeownership and other community issues, sometimes through a nonprofit affiliate. A few of these programs include individual development accounts in their activities.

Youthbuild

Under the Youthbuild program, unemployed young people, ages 16 to 24 prepare for GED exams while developing job skills (often in construction).. The program emphasizes leadership and community service, and includes Individual Development Accounts as an allowable activity. There are Youthbuild programs in 47 states and territories.

Other Homeownership Coordination Opportunities

Federal Home Loan Banks

The 12 regional Federal Home Loan Banks provide to their member financial institutions low-cost funds for mortgages and small business and rural and agricultural loans. They also support homeownership asset building through their own Individual Development and Empowerment Account (IDEA) program. With IDEA, a member bank can receive up to \$50,000 in an annual competition to match savings of eligible participants who have saved under an Individual Development Account or Family Self-Sufficiency program. The amount available for each purchase varies by region. Further, the funds are generally available only at closing and may not be used for any operations or services the IDA program provides to participants.

Habitat for Humanity

The Habitat approach is the most well known of the self-help approaches to linking low-income families to homes. In the Habitat model, participants, along with family members, friends, and Habitat volunteers, actually help with the construction of their home, with the number of hours of this “sweat equity” varying by locality. Usually, the participant purchases the home from the Habitat chapter, and the organization also requires (and provides) financial education and homeownership training.

Additional Resources

Following are links to organizations and resources that provide more information on the FSS and Section 8 Homeownership Voucher Programs.

American Association of Service Coordinators

<http://www.servicecoordinator.org>

This organization helps its members with shared knowledge and practices and sponsors an annual meeting. Members work with a number of supportive programs for families, the elderly, and the disabled.

FSS Partnerships

www.fsspartnerships.org

This organization brings together the available research on the Family Self-Sufficiency Program and on its outcomes. FSS Partnerships also provides technical assistance to housing agencies and other organizations with an interest in implementing FSS programs, whether in the context of Housing Choice Homeownership Programs or not. There are also links to a variety of other community-based and advocacy organizations with an interest in promoting this asset-based strategy and to a few regional associations of FSS Coordinators.

National Association of Housing and Redevelopment Officials

<http://www.nahro.org>

This organization advocates for adequate and affordable housing and strong, viable communities for all Americans—particularly those with low- and moderate-incomes. Members administer HUD programs such as Public Housing, Section 8, Community Development Block Grants, and HOME. Much information is available without membership.

National Low Income Housing Coalition

<http://www.nlihc.org>

This organization brings together various entities with an interest in affordable housing: developers, advocates, service organizations, and the like. The site offers summaries and information on the current status of many Federal and state housing initiatives. As with NAHRO, the site offers much information and resource links without membership.

Compiled by Anne Yeoman for the Assets for Independence Resource Center, with assistance from Anna Oles, Peggy Martinez, and others.